External Affairs and International Trade Canada

Foreign Policy Themes and Priorities

1991-92 Update

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Policy Planning Staff

Canada

Foreign Policy Themes and Priorities

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I

The Essence of Canadian Foreign Policy

Canada's foreign policy is driven by the need to protect and promote Canadian interests and values abroad.

For more than 50 years, Canada's foreign policy has shown remarkable consistency. Neither our interests – security, prosperity and a rule-based international order – nor our values – a spirit of moderation, compromise, the rule of law, and social and economic justice – have changed.

The search for security underpins our foreign policy. Security is not an end but a means; without peace, order and stability, prosperity and development cannot occur. New threats to international security – environmentally unsustainable practices, proliferation, irregular migration – are supplanting the former bipolar paradigm of the Cold war.

Canada's economy and prosperity is heavily dependent on trade. Foreign investment capital and technology and expanded access to new and existing markets remain vital to future economic growth. Liberalized trade and investment regimes, multilateral, regional and bilateral, are central to successful pursuit of these objectives.

Strong and active support for multilateral institutions and approaches – in both the political and economic spheres – has been central to the pursuit of our foreign and trade policy objectives. Bilateral and regional initiatives can and should enhance our efforts to build rule-based multilateral systems.

The consistent nature of our foreign policy has contributed to the respected stature which Canada enjoys in the world community. Its success in promoting and protecting fundamental Canadian interests and values has made our foreign policy a source of shared pride for Canadians.

In this decade of change, the importance of greater integration of Canadian foreign policy with the pressing domestic agenda – national unity, competitiveness and sustainable development – has never been higher.

II

Major Trends

A changing power constellation, a growing international commitment to common values, an increasingly global economy, and a world beyond borders will shape the new global agenda. All of these related forces will pose significant challenges to traditional notions of sovereignty; managing interdependence will increasingly characterize foreign policy in the 1990s.

The Changing Power Constellation

Global political and economic power is shifting rapidly and becoming more diffuse. The ramifications of a world freed from superpower rivalry include:

- International power and influence will be determined as much by economic strength as by military capability, with the growing importance of the Triad and concomitant possibility of inter-regional economic rivalry;

- Unparalleled opportunities for multilateral collaboration in the field of international security, permitting the international community to address wider security and development concerns;

- Destabilization, both internal and regional, resulting from intense ethnic, cultural or regional pressures; and

- Potential for new forms of North-South cooperation, but danger of the marginalization of the poorest parts of the world.

The image of a monolithic third world has been shattered by sharply diverging rates of economic growth, economic alignments along regional lines, the emergence of mutual North-South interests on specific issues (e.g., the Cairns Group on agriculture, the smooth functioning of oil markets).

An Emerging Commitment to Common Values

The values of democracy and the respect for human rights have triumphed not only in the revolutionary transformation of Central and Eastern Europe, but also in the more evolutionary process of democratic change in much of the developing world.

The increasing acceptance of these values by people around the globe is a strong endorsement of the fundamental Canadian values which have driven Canada's foreign policy for the past 50 years. The entrenchment of democratic values and stable, effective democratic institutions remains, however, shallowly rooted in many parts of the world and needs to be nurtured and supported.

This emerging commitment to common, universal values based on respect for the individual and the environment could become the crowning achievement of the late 20th century. Conversely, if the commitment cannot be maintained, a failure to develop a consensus around democratic ideals and concern for sustainable development could profoundly shake the world order. We have already seen, in the USSR and Yugoslavia, the kind of violence and instability which can result if a commitment to pursuing democratic solutions cannot be solidified.

The New Global Economy

Globalized competition and renewed regionalism characterize the trade and financial regime of the future. Technology and investment – particularly in services and knowledge-based industries – will continue to be the force behind growth in world trade and global integration.

Global market forces compel governments to coordinate and harmonize domestic economic, industrial and trade policies to an unprecedented degree. What was once regarded as strictly the preserve of sovereign states is now becoming a proper subject of international concern, scrutiny, and even direction. The international trade policy agenda is becoming more intrusive. Environmental and industrial standards, subsidies, preferential access to natural resources, investment incentives, intellectual property protection, competition policy, exclusionary marketing arrangements and supply management structures, have all become the focus of the international economic agenda.

The leading role of technology in economic growth and prosperity in OECD countries will increase the importance of advanced infrastructures and sophisticated and skilled human capital. As the national affiliation of transnational companies continues to decrease in importance, decisions on where to locate plants and research establishments will increasingly

depend on these factors. Countries will correspondingly have to compete on the basis of their human capital and related infrastructure for both domestic and foreign capital.

Renewed regionalism – in the Americas, Europe and Asia – both facilitate globalization and sharpen trade friction between the regions. Given that multilateral rules lag behind changing patterns of international trade, the major regional economies are increasingly managing these disputes directly, outside of multilateral rule-based structures.

While some newly industrialized economies are experiencing sustained and rapid growth, the poorer among the developing economies are falling further behind and becoming marginalized. Growing pressures on global capital markets suggest little relief in the coming years. Economic and increasingly political conditionality – environmental, human rights, and military expenditures-based – has become a reality of multilateral and bilateral aid programs.

A World beyond Borders

The information society is global in scope. The new global economy is paralleled by similar developments in the worldwide diffusion of information, culture and knowledge. Citizens are aware of what passes beyond their borders. Political and economic disparities between countries become known. Pollutants released in one country can have profound effects on life beyond its borders. Domestic policies increasingly have transnational and international ramifications.

The list of those problems facing the international community that ignore national boundaries is growing in length and gravity. Global environmental threats, population and migratory pressures and proliferation of weaponry can only be addressed on a multilateral basis.

III

Foreign Policy Directions for the Coming Years

We are entering a period of change unprecedented in modern history. There is an active international political agenda, a charged economic environment, a fundamental change in the way we approach our physical environment and a structural transformation taking place in both the global political and economic systems. Keeping abreast of developments and actively and effectively pursuing Canadian interests in these circumstances will not be easy. Additionally, foreign policy has profound implications for national unity. Canadians will be looking to an active foreign policy as an expression of shared values, a determination to pursue collective interests and thus as a means to strengthen national cohesion and collective self-worth.

Making Choices

In an extremely tight fiscal situation it will be difficult to meet expectations; foreign policy choices, which will have to be made, will be hard. Finding the right balance between different criteria will sometimes be difficult. In detailing some of the key directions for upcoming years, this document should help define that balance, and avoid short-sighted or uni-dimensional decisions.

Strengthening Cooperative Security

The security of Canada and its people is an enduring and vital Canadian foreign policy objective. Although it remains essential to maintain military stability through defensive alliances, the decade of the 1990s presents Canada with the opportunity to work for a more cooperative world order based upon the rule of law.

The Gulf War, the conflict in Yugoslavia, and ongoing instability in the Soviet Union provide a forceful reminder of how the international environment can suddenly change for the worse in the absence of a stable international framework to fill the strategic void left with the passing of the Cold War. A reasonable defensive capability is a requirement of sovereign nationhood. We cannot afford to assume that all military threats against Canada and our international setting have disappeared forever. Canada's Defence Policy Review has defined how the Canadian Armed Forces will contribute to meeting our security objectives at a time of dramatic change.

Transnational Issues

We need to address transnational security threats such as proliferation, drug trafficking, terrorism, and irregular migration. These threats need to be managed to avoid the dangers of escalation to military action. Cooperative regional security regimes and dialogues, based on raised confidence and understanding, can reduce the number and intensity of threats to global peace and enhance our capacity to build truly universal rule-based systems to prevent and manage conflicts.

Climate change, deforestation, ocean pollution, biodiversity loss and related global environmental degradation may directly threaten our future security. The irreversibility of species loss calls for urgent action. The long-term nature of climate change, and the equally long lead-time to implement effective domestic and international policies to reduce let alone reverse such change, pose particular challenges for the international community and raise the possibility of serious cleavage along North-South lines.

In the aftermath of the Gulf War, it is clear that there can be no lasting regional or global security unless the dangers of the proliferation of weapons of mass destruction and conventional arms transfers are addressed. Canada will continue to pursue multilateral initiatives in this area.

Poor economic prospects, civil strife and environmental degradation will continue to drive irregular migration flows. Significant claimant demands on the asylum-determination systems by such migrants threatens our sovereignty and imposes a significant fiscal burden on government programs and determination procedures. International, rule-based cooperation among industrialized countries will be necessary to maintain humanitarian assistance and resettlement of refugees while developing procedures and means to assure the system's integrity. Aid policies aimed at reducing poverty and encouraging growth, and trade policy aimed at increasing overall levels of economic activity, can contribute towards alleviating the causes of irregular migration.

Regional and Global Security

In moving towards cooperative security, Canada's focus will be on both regional and global political and security structures. Regional structures, developed by regional players, should be consonant with and supportive of a broader, rule-based multilateral system centred on a strengthened and more effective United Nations.

Canada's participation in defensive alliances will remain essential in the creation of a cooperative security regime. A reasonable defensive capability is a requirement of

sovereign nationhood. We cannot afford to assume that all military threats against Canada and our international setting have disappeared forever. Canada will participate in a reinvigorated NATO, relevant to the more cooperative climate of today's Europe. Canadian troops will remain, albeit at lower levels. Canada will also continue to strengthen its transatlantic links with Europe by building up its relations with the EC, pressing for a more effective Conference on Security and Cooperation in Europe and developing closer relationships with the countries of Central and Eastern Europe. We will work to enhance cooperative security in other regions of the world in coordination with like-minded countries.

OBJECTIVES: Strengthening Cooperative Security

- Pursue improved controls on the proliferation of instruments of war and weapons of mass destruction
- Expand national and multinational capabilities to deal with non-military threats to security (e.g. environmentally-unsustainable activities, irregular migration)
- Encourage regional dialogue, cooperation and confidence-building measures
- Sustain Canadian participation in efforts to adapt security policies, strategies and institutions to new realities
- Adapt peacekeeping operations to take on broader roles
- Utilize official development assistance to alleviate poverty as one of the root causes of political instability

Peacekeeping has been a traditional source of national pride for Canadians, and we should continue our efforts in this area. The nature of what we currently know as peacekeeping may begin to change and pose further challenges to Canadians. Peacekeeping may increasingly take on functions such as electoral supervision and refugee protection which were once considered to fall under the exclusive purview of national governments.

The world already has the essential framework to contribute to a global cooperative security dialogue – the United Nations system. We need to strengthen that framework, and take advantage of the opportunity before us to develop greater respect for the rule of law and the principles of collective security enshrined in the UN Charter.

Creating Prosperity on a Sustainable Basis

Our prosperity depends on an open, liberal and rule-based trading regime. As a high-wage and high-cost country, Canada's sustained prosperity depends on improving the productivity and skills of our labour force in the existing industrial and resource base while expanding further the knowledge-based industries of the future. We need to ensure continued market access for our large natural resource exports given environmental concerns in major markets.

Trade policy and domestic policy (including environmental considerations) will become more and more integrated. Given international coordination and harmonization of economic, industrial and trade policies, we need to anticipate future trends in such coordination to ensure timely and effective adjustment to continued globalization.

At the same time, the adjustments flowing from globalization are increasing trade friction among the major economic powers and are hampering substantive progress in multilateral trade and economic negotiations. As a medium-sized country with limited fiscal resources, we have a vital interest that the major players in the MTN are able to agree on ways to reduce agricultural and other subsidies and otherwise improve and strengthen a rule-based multilateral trade and payments system.

While our multilateral objectives are clear – successful completion of the Uruguay round, obtaining consensus on export financing and management of debt problems – regional trading arrangements such as the FTA and NAFTA will continue to advance, in an immediate and effective manner, our trade and investment interests. The new trade policy agenda – investment, services, intellectual property protection – will be pursued in all negotiations to assist Canadian industry to become more competitive.

While the gains in global economic growth have been most dramatic in Asia, internal reform within developing countries and Eastern Europe – sound macroeconomic policies, privatization, deregulation and institution building – will enhance development prospects in these countries. The role of the international financial institutions (IFIs) in establishing framework policies for development assistance and programs of debt relief is central to coordination and harmonization of such policies among donor countries. Such multilateral coordination ensures that limited aid funds are used to greatest effect. We need to ensure that our influence in formulating such policies is effective and reflects our priorities. Debt relief, where appropriate, can complement programs of domestic reform. Constant care must be taken to ensure complementarity between the use of assistance and debt relief. Such measures should encourage greater foreign and domestic private sector investment.

OBJECTIVES: Economic and Trade Policy

- Negotiate multilateral trading rules that address the needs of the new global economy, including environmental objectives
- Pursue our specific interests in bilateral, regional and multilateral trade negotiations and consultations
- Remove structural rigidities in the world's trading system, particularly subsidies
- Continue to influence the setting of framework policies at key IFIs such as the World Bank and the IMF
- Encourage regional trading systems to be consonant with and supportive of rule-based multilateral structures
- Develop consensus on concessional financing to limit costs to Canada, while recognizing the need to provide field-levelling support to the Canadian private sector
- Consider new and creative responses to the debt problem
- Encourage economies in transition (Central Europe, USSR) to participate in the international trade and payments system
- Encourage the emerging economies (Asian NIEs, Mexico, Brazil) to participate in multilateral economic dialogue

Trade and investment development programs will continue to be driven by industry requirements as expressed through the existing consultative mechanisms. Traditional trade promotion will continue to be complemented by programs to encourage the inflow of technology and technology-related investment to Canada. Resources will increasingly be focused on key markets and sectors where government support provides significant "value added" to the private sector.

OBJECTIVES: Trade and Investment Development

- Maximize the long-term return of collaborative government/exporter efforts at market development
- Increase trade and investment in the knowledge-based and service industries while maintaining our competitive strength in areas where Canada has built a comparative advantage
- Broaden efforts to facilitate the linkages between trade, technology and investment

Sustainable Development and the Environment

Our economic well-being, our lifestyle, our living standards and our quality of life are dependent upon our ability to protect the environment and its resources for present and future generations. Balancing economic and environmental considerations to create sustainable development will challenge developed and developing countries alike. Differing economic conditions, the pursuit of sustainable development practices and the multilateral sharing of global resources and responsibilities will require new levels of international cooperation, cooperation that will prove controversial and difficult given the divergent interests involved.

Threats to our prosperity from environmental degradation come from global as well as domestic sources. We must work with developed and developing countries to establish effective environmental guidelines and controls, to advance international environmental law, and to integrate economic and environmental decision-making in international financial institutions and other international organizations. It must be recognized that the expectations and needs of the developing world will have to be met in part at least from the donor community if real strides are to be made.

The evolution of international arrangements to address environmental challenges will require the ongoing assessment of linkages between international and domestic policies.

Strong environmental standards are compatible with encouraging development of a more competitive Canadian economy. However, we shall have to pay attention to adjustment costs and move in step with our major trading partners to avoid the risk of being undercut

by environmentally irresponsible competitors. We must also be wary of "green protectionism", given our vulnerability in the resource sector. At the same time, we should also be aware of the trade opportunities which exist for technologies to reduce or clean up existing environmental damage.

OBJECTIVES: The Environment

- Establish effective international environmental standards and international environmental law
- Ensure that international environmental standards do not reflect protectionist as opposed to environmental considerations
- Integrate economic and environmental decision-making in international financial institutions and other organizations
- Cooperate with developing countries in addressing their international environmental obligations
- Further integrate sustainable development into aid policy
- Ensure that environmental issues remain high on the political agenda of bilateral partners, particularly the USA

Securing Democracy and Respect for Human Values

A new and hopeful international consensus is building: a consensus that may be the greatest and finest legacy of the 20th century - a consensus of democratic, universal human values.

This consensus asserts forcefully that without democracy, a people's potential for economic and social development is retarded. At the same time, more and more recognize that without a sufficient level of economic development, democracy itself is imperiled. Past years have seen not only the democratic revolutions in Central and Eastern Europe, but also the solidification of democracy throughout Latin America and parts of Asia and Africa.

Our foreign policy, including development assistance, should continue to make clear our abiding commitment to respect for human rights, the rule of law, and economic and political freedom.

Sustainable economic growth, led by the private sector, is necessary for all societies to improve the quality of life of their citizens. Growth provides governments with resources to provide education, healthcare and other social services necessary to human development.

Economic conditionality will remain central to evaluating requests for ODA and debt relief, with ongoing consultation among donor countries on how this can be best achieved. Good governance considerations must also play a role in allocation of development assistance resources.

Good Governance

- Respect for human rights
- Democratic development
- Probity in government
- Basic social programs accorded priority
- Poverty alleviation
- Acceptable levels of defence spending
- Market-based economies

For Eastern Europe, the Baltics and the Soviet Union, managing the transition from centrally-planned to market-based economies will be the principal challenge. Maintaining education, health and other public services during this adjustment process should be a priority. The institutional framework - legal, accounting and financial - requires considerable technical assistance in order to be brought up to date. Deregulation, privatization and liberalization will help industry over time meet acceptable environmental standards. Beyond technical assistance, there will be substantial requirements for capital inflows in the form of productive investment as well as the short-term measures such as balance-of-payments support, debt relief and stabilization programs and food and humanitarian assistance.

OBJECTIVES: Securing Democracy and Respect for Human Values

- Encourage respect for human rights, the rule of law, and fundamental democratic principles
- Encourage good governance and sound economic policies in partner countries
- Maintain commitment to policies aimed at poverty alleviation
- Retain a strong and active commitment to humanitarian assistance

IV

MANAGING INTERDEPENDENCE

Canada must pursue its interests and values in a changing world. Canada must endeavour to manage interdependence through a judicious balance between ongoing support for global, rule-based multilateralism and heightened attention to its key relationships. In doing so, we should recognize that regional, plurilateral and bilateral approaches should complement and not conflict with multilateral approaches. Each is a means to an end – the promotion and protection of Canadian interests and values.

Multilateralism

OBJECTIVES: Strengthening Multilateralism

- Enhance the UN's capability to undertake preventive or anticipatory action to maintain peace and security
- Build up the UN's peacemaking and peacekeeping capability
- Improve the international coordination of humanitarian assistance
- Improve the effectiveness of IFIs in reducing world poverty and in improving the environment
- Adapt multilateral institutions to deal with new transnational problems on the basis of fairness, transparency and values
- Develop coherent and rule-based systems for the management of non-military forms of hostility and conflict
- Ensure that regional systems, both economic and political, are supportive of multilateral, rule-based systems
- Develop and support bilateral and multilateral arrangements aimed at building cooperative mechanisms for regulating international migration

In a world environment where power is more diffuse, our long-standing pursuit of effective multilateral systems and the international rule of law will enhance Canada's influence. Although we cannot dictate outcomes, we can successfully pursue Canadian interests and values with other players on the world stage. We have weight, and we have leverage. At a time of significant change and pressure for reform, we have a role to play and are expected to play it.

Key Relationships

As a member of the Economic Summit, of the related G-7 monetary and macro-economic coordination process, and of the Quadrilateral meeting of Trade Ministers, Canada is among the major powers. That we are among the lesser of the major powers is unquestioned, but this should not undermine the value of our place at these critical tables.

Canada's participation in the G-7, and other leading organizations such as the OECD and NATO, in large part accounts for much of the influence Canada wields in more broadly based groupings such as the UN, the Commonwealth, la Francophonie, the OAS and the Conference on Security and Cooperation in Europe.

Three relationships, those with the USA, the EC, and Japan will be vital. These relationships provide Canada with solid springboards to pursue its interests and concerns throughout the regions of Europe, North America, and Asia-Pacific.

The United States is the single most important partner for Canada. The FTA has ensured that the trading and investment relationship between Canada and the United States will be rule-based rather than power-based. Canada's participation in NAFTA must protect the gains made in the FTA, should be aimed at creating new investment and trade opportunities in a growing Mexican market of over 85 million people and contribute to the development of more universal rules attuned to the changing realities of international commerce.

Canada will continue to encourage the United States to play a constructive and committed role across a wider range of international institutions, to sustain US support for the strengthening of international organizations, and to resist isolationist and protectionist pressures.

As the European Community becomes more integrated, Canada will need to deepen its relationship with the key countries and the various institutions of the EC. Canada should be pursuing policies to encourage the EC, as it evolves towards ever greater economic and political integration, to remain open to the world and Canada. Our continued presence in

NATO and CSCE gives us weight in the pursuit of our economic interests with the EC.

Canada's relationship with Japan, much advanced over the past few years, is certain to become more important throughout the 1990s, as trade with that country grows and as Japan plays an increasingly important political role more commensurate with its economic stature. Canada must actively seek ways to liberalize further the trade and investment relations, and to strengthen the political relationships between the two countries. Strengthening cooperation with Japan in fora as diverse as the G-7, the OECD, and the UN will also be an important direction for Canada through the 1990s.

OBJECTIVES: Key Relationships

- Capitalize on our participation in the G-7 to strengthen our key bilateral relations
- Protect and enhance the relationship with the USA both to pursue bilateral issues and to influence US policies in the direction of our broad international priorities
- Concentrate our efforts in Europe to ensure a healthy transatlantic relationship and an open approach to trade and investment as European integration continues
- Strengthen economic and political cooperation with Japan, and the emerging middle powers of Asia-Pacific, both in the interests of economic objectives and in ensuring their participation in the resolution of international problems
- Build effective bilateral relationships with other countries with key influence over the management of regional political issues (e.g., resolution of the Middle East conflict, Cambodia) and over the emergence of regional economic and political associations and institutions (e.g. OAS, APEC, ASEAN) where Canadian interests are directly implicated.

Much has been done in recent years to strengthen our bilateral relationships with emerging players such as Mexico, Korea, the ASEAN countries and others. In the 1990s, these relations should grow and mature. Canada's ability to play an important role in regional economic and political arrangements can only be improved if bilateral relations with important regional countries become more diversified and sophisticated.

V

Key Priorities

Policy Themes

Our foreign policy directions – *strengthening cooperative security, creating sustainable prosperity and securing democracy and respect for human values* – will set the parameters for our political, economic and trade relations with the world. In broad terms, the emphasis we have given to international security issues, including peacekeeping, and to sustaining a credible and well-focused program of development assistance has proven successful. Nonetheless, the interplay and balance among the directions may vary from case to case and their relevance in judgements on specific policy choices may be difficult to foretell comprehensively. Finding the right balance will often be difficult, given conflicting demands and interests, and the reality of limited fiscal and personnel resources to accomplish our objectives. Nevertheless, these directions should provide the framework within which our values and interests can best be pursued.

Foreign and domestic policy are increasingly interlinked. To be coherent and consistent, foreign policy must inform and be informed by domestic policy. Our international objectives and activities must be fully integrated with the domestic agenda, particularly national unity, competitiveness and sustainable development.

Given the dynamic nature of global political and economic developments, it is difficult to predict with certainty the international agenda over the coming 12 months. Guided by our general foreign policy directions, we can, however, highlight certain themes that should be viewed as basic priority objectives underpinning the full range of our activities and programs:

- *Maximizing opportunities and reducing vulnerabilities arising from increased globalization, and aggressively pursuing specific economic interests where they are implicated;*

- *Promoting and assisting the transition to stable systems of government based on democratic development, principles of good government and market oriented economies;*

- *Encouraging sensitivity towards environmental challenges and developing practical and internationally-agreed responses to specific problems through influencing international institutions, developing strategic bilateral partnerships and pursuing opportunities for Canada's environmental industries;*

- *Encouraging the international community and key multilateral institutions to expand their involvement with the serious long-term problems of population growth and mass migration. Shared control arrangements should form part of this heightened multilateral cooperation; and*

- *Pursuing further our post-Gulf war agenda in arms control, non-proliferation and in strengthening the effectiveness of the UN and other rule-based multilateral structures and institutions.*

As we examine our activities in various parts of the world and across the range of our sectoral programs, these themes will, of course, have greater or lesser relevance. While it is not the purpose of this paper to attempt to examine comprehensively those activities and programs with these themes in mind, given the global setting that we have reviewed and the current outlook for the year ahead, certain high visibility issues spring to the fore.

The Coming Year

All of Canada's foreign policy activities must be sensitive to their impact on the national unity debate. Given the extensive upheaval and uncertainty which mark the current international setting, many Canadians are increasingly concerned about international developments and the capacity of the country to protect our sovereignty and our interests. Our active participation in multilateral fora and in Summits, our efforts to strengthen multilateralism, our efforts in development and in addressing environmental issues, and our pursuit of good governance all hold the potential for being seen as positively reflecting Canadian values and interests that reinforce the unifying effect of foreign policy. Throughout the coming year it will be essential that Canada speaks with, and be seen to be speaking with, a single and coherent voice in pursuit of these objectives. We should:

- *Make every effort to ensure that the pursuit of our foreign policy objectives is visible, reflects Canadian values and contributes to national self-esteem and a stronger Canada.*

The 1991 London Summit highlighted the crucial need that exists to integrate fully the Soviet Union into the world's political and economic system, and the recent coup attempt underscored the potential risks of failure. We have the prospect here of building

cooperative security, maintaining momentum towards shared values, both political and economic. Greater integration of the Soviet Union and its constituent republics into the world economy will help build greater international stability and stronger, rule-based multilateralism. We should:

- *Manage the complex questions relating to events in the USSR and the Baltics with the objective of drawing these economies into the democratic, market-based world through real assistance for real reform while sustaining the transition of Poland, Hungary and Czechoslovakia to market-based pluralistic democracies.*

Multilateral economic cooperation has not kept pace with growing political cooperation. The possibility of fracturing the rule-based trading system is real. Given our high level of exposure to the trading environment, which translates into significant vulnerabilities for exporting industries of all sorts as well as for our overall fiscal stature, Canada cannot afford to allow this to happen. We should:

- *Pursue completion of a balanced and comprehensive MTN and NAFTA, the latter to protect FTA gains and construct a key building block for hemispheric trade and investment; and*

- *Refine economic and trade facilitation programs and instruments to maximize benefits in improving Canadian competitiveness and to ensure that Canadian exporters are not disadvantaged in world markets.*

Recognition by the international community, including the developing countries, is growing that living standards and quality of life are all bound up in our ability to reverse present environmental trends. It is imperative to find practical means to balance economic development with the need to protect our fragile natural environment. This year will be particularly important in this respect because of the United Nations Conference on Environment and Development (UNCED) in Brazil next summer. Because of the costs involved, a belief by many developing countries that they are being asked to slow development because of a problem largely created by the developed world, and because of the still incomplete political consensus on the severity of the problem in much of the developed world, there is a substantial risk of UNCED producing little real movement. The financial implications for Canada and other donor countries cannot be swept under the rug; expectations will be high. If such a Summit were to fail to expand our collective environmental conscience and commitment, a vital and perhaps unrepeatable opportunity would have been missed. We should:

- *Press for specific and practical goals on climate change, forestry, conservation of living resources of the high seas, biodiversity and poverty reduction at UNCED, and strive for UNCED to set in place a long-term framework for integrating environment and development, on the basis of agreed norms and standards, into the international trade and payments system.*

The growing movement toward shared values cannot be maintained without a heightened encouragement of these values by countries such as Canada. This requires an even greater commitment to promote the benefits of these values in our bilateral and multilateral relationships. To be effective, Canada must explain and implement policies which demonstrate that maintaining or building solid bilateral relations with countries throughout the world is conditional upon maintaining progress towards common values.

Given the growing demands for assistance and political support by a significant number of countries which are making efforts to transform themselves to pluralist, market-based democracies, this year will be a year of high expectations and limited capacity to respond. The signals we send by adjusting our instruments of assistance, and in our political posture, will be important, both bilaterally and multilaterally.

These signals will have particular application in our efforts to support and nurture Latin America's shift to democracy and market economics. Our efforts may require more effective linkages (such as economic framework agreements, double taxation and foreign investment protection instruments) between Canada and these countries. This year will also be an important year of transition in southern Africa. We will wish to continue pursuing the value-based principles that served us well in encouraging change as we adjust to the emerging new South Africa.

In making the difficult choices imposed by limited resources, we should:

- *Refocus our political relationships, our development assistance and trade instruments to promote good governance (democratic development, human rights, market-based economies, non-proliferation);*

- *Recognize that our efforts to support transition to market-based economies may require adjustment to our market access practices as well as to our political relations and assistance programs.*

Three relationships, those with the USA, the EC, and Japan, are vital to protecting Canadian interests, but they are more than that. Maintaining and building strong relationships with these countries, and in the case of the EC, a supranational institution,

provides Canada solid springboards to pursue its interests and concerns throughout the world. Securing or sustaining USA, EC, and Japanese concordance with our broad international and multilateralist objectives will be essential.

Similarly, Canada's interest in promoting rule-based multilateralism and cooperative security based upon the rule of law, cognizant of a new broader dimension of security, can be enhanced by strengthening relationships with emerging regional powers. While sustaining the kind of global reach that has long been an attribute of Canadian foreign policy, we will want, given limited resources, increasingly to focus our efforts on building select partnerships with the newly industrialized economies and those leading developing countries where our broad international objectives and economic interests coincide.

Over the last few years, we have taken steps to place our political and economic relations with the emerging powers of the Western Pacific on a more sophisticated basis. The rapidly growing trade and investment links between Canada and the four "tigers" and ASEAN countries will continue to require parallel development of our political relations.

We have also initiated efforts to correct our long neglect of relations with the Americas, although much more needs to be done. Mexico, in particular, and the other countries committed to democracy and serious economic reform will be the building blocks of deeper and broader relations with Latin America. This will have implications for Ministerial attention and for a better public appreciation of the relevance of our hemispheric relationships. Brazil, despite uneven progress in economic reform, remains important, given its dominant position in the region and broader global influence on political and other issues in the region.

Canadian participation in the Gulf crisis and the subsequent war raised expectations regarding expanded economic and political relations with countries of the Middle East, although it must be recognized that Canada can at best play a secondary role in the peace process given the fact that no non-regional actor other than the United States wields determinant influence.

Regional institutions and arrangements can, in collaboration with the principles and broad purposes of their global counterparts, provide regionally-based solutions to urgent problems. They can assist in the development of a broader consensus. Global stability, prosperity, security and international cooperation can be consequently enhanced. Through our participation in such forums as APEC, and in bringing our influence to bear on processes and organizations in which we do not participate (MERCOSUR, the Rio Group), we should be ensuring that regional structures and emerging institutions, both political and economic, are supportive of more broadly based rules and institutions.

Summits project abroad and back home the fact that Canada is an influential, active country that carries the most clout when it speaks clearly with one voice. Summits also offer unparalleled opportunities to inject political will and momentum into issues currently of critical concern and importance for Canadians. Just as we have highlighted human rights and good governance concerns at the Commonwealth and la Francophonie summits, and UN-strengthening and non-proliferation concerns at the NATO summit, we will wish to use the remaining summits of this year (Helsinki CSCE and Munich G-7) as well as other multilateral events to promote these and related objectives.

The Longer Term

During the period ahead there will be high expectations by the international community for an active Canadian presence and involvement. Canada is committed to a global foreign policy with priority given to our key relationships – the United States, Europe and Japan. Assistance to the Soviet Union, the Baltics, Eastern and Central Europe and other countries in transition will be intrinsic to our participation in the G-7. New issues, including environmental demands, will challenge our ongoing development assistance efforts. The extent to which we are sensitive to changing needs and responsive to these pressures will have an impact on Canada's international image or on our capacity to wield (and to be seen to be wielding) influence in an extremely volatile period of history.

Given the priority of continued fiscal restraint, maintaining a continuing and substantive commitment to the fundamentals of Canada's foreign policy will prove challenging. The focus, tools and instruments of foreign policy may have to be adjusted, although it must be recognized that any major shifts would have reverberations both within the Canadian public and within the broader international community.